

**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-FOURTH
ANNUAL
REPORT
1943**

MONTREAL - CANADA

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**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-FOURTH
ANNUAL
REPORT
1943**

MONTREAL - CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED



BOARD OF DIRECTORS

W. F. ANGUS	W. A. EDEN
W. S. ATWOOD	G. BLAIR GORDON
HON. C. P. BEAUBIEN, K.C.	WILLIAM HARTY
V. M. DRURY	J. C. NEWMAN
L. A. PETO	

OFFICERS

V. M. DRURY, *President*

WILLIAM HARTY	- - -	<i>Executive Vice-President</i>
L. A. PETO	- - -	<i>Vice-President and General Manager</i>
W. F. ANGUS	- - -	<i>Vice-President</i>
W. S. ATWOOD	- - -	<i>Vice-President</i>
A. C. BOURNE	- - -	<i>Secretary</i>
A. HODGKINSON	- - -	<i>Comptroller and Treasurer</i>

SOLICITORS

WAINWRIGHT & ELDER, MONTREAL



BANKERS

BANK OF MONTREAL
THE ROYAL BANK OF CANADA



GENERAL OFFICES

621 CRAIG STREET WEST, MONTREAL

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES



CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS AT SEPTEMBER 30, 1943

Combined net operating profit for the fiscal year ending September 30, 1943, before taking into account the items shown below....		\$5,018,710.62
ADD:		
Income from Investments.....		34,810.71
Total Revenue.....		<u>\$5,053,521.33</u>
DEDUCT:		
Fees of Directors and Executive Committee....	\$ 6,740.00	
Compensation of Officers.....	\$459,719.00	
Less: Amount paid by a subsidiary company re "Award of Mixed Claims Commission" in respect of past services charged to a reserve set up for that purpose in previous years.....	315,000.00	144,719.00
Legal Expenses.....	14,933.19	166,392.19
Profit for the fiscal year before charging Depreciation and providing for Income and Excess Profits Taxes.....		<u>\$4,887,129.14</u>
DEDUCT: Depreciation:		
Property written off during the year.....	\$ 115,874.39	
Normal Depreciation.....	539,916.63	
Special Depreciation.....	1,312,647.32	1,968,438.34
Balance of Profits.....		<u>\$2,918,690.80</u>
DEDUCT:		
Provision for Income and Excess Profits Taxes including the Refundable portion of the Excess Profits Taxes, viz.: \$271,174.86.....		2,086,450.00
Net Profit for the Fiscal Year.....		<u>\$ 832,240.80</u>
DEDUCT:		
Provision for Preference Shares Sinking Fund Requirements...		43,932.12
Surplus at September 30, 1942.....		<u>\$ 788,308.68</u>
		<u>7,387,200.73</u>
DEDUCT:		<u>\$8,175,509.41</u>
Provision for payment on exchange of Old Preference Shares.....	\$714,000.00	
Par value of 384 Preference Shares purchased, redeemed and cancelled in excess of Sinking Fund requirements transferred to Capital Surplus...	9,600.00	
Premium paid on above.....	835.68	724,435.68
DEDUCT:		<u>\$7,451,073.73</u>
Dividends declared and paid—		
On old Preference Shares.....	\$246,400.00	
On new Preference Shares.....	292,960.00	539,360.00
BALANCE OF SURPLUS AT SEPTEMBER 30, 1943.....		<u><u>\$6,911,713.73</u></u>

CANADIAN CAR & FOUNDRY

AND WHOLLY OWNED

CONSOLIDATED

at September 30, 1943

(EXPRESSED IN DOLLARS)

ASSETS

CAPITAL ASSETS:

Land, Buildings, Machinery and Equipment at depreciated reproductive values as appraised in 1930 by the Canadian Appraisal Company, Limited, plus the cost of subsequent additions (net)

Land.....	\$ 1,851,378.82	
Buildings, Machinery and Equipment.....	16,813,124.17	

Together.....	\$18,664,502.99	
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LESS: Reserve for depreciation provided since above date.....	3,229,049.49	\$15,435,453.50
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NOTE—The net property value subject to future depreciation for income tax purposes is approximately \$8,700,000.00.

Capital Expenditure re War Contracts.....	\$5,313,883.45	
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LESS: Special Depreciation thereon.....	3,367,536.53	1,946,346.92	\$17,381,800.42
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INVESTMENT IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:

Investment at Cost.....	\$470,625.00	
Current Account.....	13,259.07	483,884.07

INVESTMENTS IN OTHER COMPANIES, at cost:

Central Aircraft Corporation.....	\$75,000.00	
Canadian Car Munitions Limited.....	1,000.00	76,000.00

DEFERRED ACCOUNT RECEIVABLE:

Refundable Portion of Excess Profits Taxes.....		366,727.92
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CURRENT ASSETS:

Stocks of manufactured and partly manufactured products, materials and supplies, certified by responsible officials of the company, valued at cost or market prices, whichever were lower, (less reserve) also expenditures on Government contracts less relative progress billings.....

\$11,847,863.92

Accounts Receivable (less reserve).....	6,887,044.76	
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Investment in United States Government Bonds (Market value \$440,000.00).....	440,000.00	
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Cash on hand and with Bankers.....	362,883.28	19,537,791.96
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DEFERRED CHARGES.....		218,366.36
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\$38,064,570.73

NOTES TO ACCOUNTS:—

RENEGOTIATION OF GOVERNMENT CONTRACTS—War profits control legislation gives the Government the right under certain conditions to renegotiate and adjust profits realized on contracts and sub-contracts with resulting reduction in and refunding of profits realized on such contracts. Because of the uncertainties involved it is impossible to estimate at this time the effect, if any, of such renegotiations upon the financial statements of the Company.

BASIS FOR DOMINION TAX PROVISIONS—The Company's "Standard Profits" and the final liability for Dominion income and excess profits taxes for the years ending September 30, 1942 and 1943, have not yet been determined. Consequently additional taxes may be levied for these years. It is, however, considered by the management that reasonable reserves have been provided.

DRY COMPANY, LIMITED

SUBSIDIARY COMPANIES

BALANCE SHEET

per 30, 1943

(CANADIAN DOLLARS)

LIABILITIES

CAPITAL STOCK:

Preference—Cumulative Participating (Redeemable)—Div. \$2.10.

Authorized and issued 280,000 shares of \$25.00 ea. \$7,000,000.00

Less: Purchased, redeemed and cancelled

2,000 shares of \$25.00 ea. 50,000.00

Outstanding..... 278,000 shares of \$25.00 ea. \$6,950,000.00

Ordinary:

Authorized 645,800 shares of no par value

Issued 365,800 shares of no par value..... 9,145,000.00 \$16,095,000.00

NOTE: An arrangement dated December 1, 1942, under Section 122 of the Companies Act, 1934, between the Company and its Shareholders resulted in the 7% cumulative and participating Preference Stock being called in and exchanged for the present cumulative, participating (redeemable) Preference Shares and also the Ordinary Shares being called in and exchanged for the present ordinary shares. As of December 27th, 1943, 43,297 shares of the 7% cumulative and participating preference stock and 143,679 shares of the ordinary stock have not been presented for exchange.

CURRENT LIABILITIES:

Bank Loans—Secured..... \$3,502,000.00

Accounts Payable and Payrolls..... 7,301,178.79

Provision for Income and other Taxes..... 2,415,590.31

Dividend Payable..... 144,560.00

Amount due re exchange of old Preference Shares.. 228,059.25 13,591,388.35

OPERATING AND MISCELLANEOUS RESERVES

301,000.00

DEFERRED CREDIT, representing unrealized exchange differences.....

31,946.50

SINKING FUND RESERVE for redemption of Preference Shares:

Appropriation out of Net Profits for year ending September 30, 1943..... \$ 43,932.12

LESS: Par value of 1,616 Preference shares purchased for redemption and cancellation..... \$ 40,400.00

Premium paid re shares purchased. 3,516.82 43,916.82 15.30

SURPLUS ACCOUNTS:

Capital Surplus—Properties:

Balance at September 30, 1942.... \$736,578.60

LESS: Proportion of Net Loss in respect of properties sold and equipment scrapped during the year.. 19,799.67 \$ 716,778.93

Capital Surplus—Preference Stock

Redemption:

Transferred from Sinking Fund

Reserve..... \$ 40,400.00

Transferred from Earned Surplus.. 9,600.00 50,000.00

Refundable portion of Excess Profits Taxes..... 366,727.92

Earned Surplus—per attached statement..... 6,911,713.73 8,045,220.58

\$38,064,570.73

Approved on behalf of the Board:

V. M. DRURY
Director.

W. F. ANGUS
Director.

A. HODGKINSON,
Comptroller and Treasurer.

Submitted with our Report to Shareholders
of December 27th, 1943.

PRICE, WATERHOUSE & CO.
Auditors.

AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CANADIAN CAR AND FOUNDRY COMPANY, LIMITED

We have made an examination of the books and accounts of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies for the year ending September 30, 1943, and have obtained all the information and explanations which we have required.

Uncertainties in the determination of the financial position during the war, namely those involved in the possibility of renegotiation of government contracts and the estimates of tax liabilities, are set forth in the notes to the accounts.

On the above basis we report that, in our opinion, the attached Consolidated Balance Sheet at September 30, 1943, together with the notes thereto, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies, after making provision of \$1,852,563.95 on account of depreciation for the year, according to the best of our information and the explanations given to us and as shown by the books of these companies.

In accordance with the provisions of Section 114 of the Companies Act 1934, we also report that the profits of a partly owned subsidiary company have not been included in the attached accounts, but have been carried forward on the books of the subsidiary company.

PRICE, WATERHOUSE & Co.
Auditors.

MONTREAL, December 27th, 1943.

THIRTY-FOURTH ANNUAL REPORT

Year Ending September 30, 1943



TO THE SHAREHOLDERS:

Your Directors submit herewith the Thirty-Fourth Annual Report of your Company and of its wholly owned Subsidiary Companies, covering combined operations for the year ending September 30th, 1943.

The report shows the effect of the ratification on April 28th, 1943, (confirmed by Supplementary Letters Patent issued by the Secretary of State, dated May 15th, 1943) of the arrangement between the Company and its shareholders whereby the old 7% Cumulative and Participating Preference Stock became exchangeable for the present Cumulative, Participating, Redeemable Preference Shares. This exchange required a cash payment of \$714,000.00 out of the Working Capital of the Company, which shows a net reduction of \$587,195.21; the excess of Current Assets over Current Liabilities being reduced to \$5,946,403.61 from the corresponding figure of \$6,533,598.82 of a year ago. Current dividends on the Preference Stock required \$539,360.00 as compared with \$490,000.00 last year. Two thousand New Preference Shares were retired during the year, and the amount thus expended was in excess of the sinking fund requirements.

The net addition to Capital Assets during the year was \$79,672.69. A sum of \$1,946,346.92 in respect of War Contracts remains to be amortized as at October 1, 1943, the greater part of which sum applies to the Dive Bomber Contract, and will be written off over the term of the Contract.

The net profit for the year, before provision for depreciation, and for Income and Excess Profits Taxes, of \$4,887,129.14, is approximately \$69,000.00 less than for last year.

The Reserve created for Income and Excess Profits Taxes is considered to be conservative, especially in view of the fact that an application for substantial relief still awaits action by the Board of Referees. It is hoped that our Government will realize the importance of creating reserves for development of new industries; especially that of aircraft manufacture, which requires the expenditure of substantial sums for the design, building and marketing of new and larger commercial aircraft.

The past year saw the first steps in the trend from purely war activity to the meeting of demands for rehabilitation of rolling stock both at home and abroad. Shipments of cars were made to both the Canadian National and Canadian Pacific Railroads, as well as to South Africa, the Belgian Congo, to Newfoundland, and to the West Indies. The Canadian Railroads will likewise require all cars which can be built from the limited quantities of raw materials which become available for such purpose, and further shipments are scheduled for various foreign countries. With the easing of the

requirements of steel for shipping, guns and munitions, it is expected that more cars will be built during the coming year than in the year under review.

Your Company has recently completed negotiations which, it is anticipated, will result in a contract for the manufacture of commercial aircraft of the so-called Burnelli design, which design your Company has had under development, as far as conditions permitted, for the past few years. We are also working on a larger type of this design.

Central Aircraft Corporation, in which your Company holds a stock interest, owns the Burnelli Patents and we, in turn, hold the rights in these Patents for Canada.

Your aircraft plant at Fort William is now in production on the Dive Bomber Contract.

The production of Anson aircraft was continuous during the year, but is now on a descending scale as the Commonwealth Air Training requirements have been fully met. Your plant at Amherst, N.S., is hereafter expected to be fully occupied in repair and maintenance work for the Maritime area.

Your aircraft plants in Montreal contribute substantially to the output of the Navy Dive Bomber, and also handle the repair, maintenance and modification of aircraft operating under the Royal Air Force Transport Command.

Your propeller plant in Montreal has operated at capacity throughout the year, and the supply of propeller blades to the United States Government has been continuous. Reduced activity in this division must be expected as the construction of Anson Aircraft diminishes.

The Cherrier Plant of Canadian Car Munitions, Ltd., is operating on a substantial but reduced scale, on a large variety of natures which put this plant in the category of an Arsenal rather than a shell filling plant. The operations here have been highly satisfactory as to the quality of product and from the viewpoint of safety.

No further receipt by your wholly owned subsidiary Company, the Agency of Canadian Car & Foundry Company, Limited, on its award by the Mixed Claims Commission, can be expected until certain clauses of the Settlement of War Claims Act of 1928 (U.S.A.) are amended. Appropriate steps are being taken in Washington in an effort to have the necessary changes made.

The operations of Canadian General Transit Company, Limited, (a partly owned Subsidiary Company) continue to be satisfactory.

The number of employees of your Company who have enlisted in the Armed Forces is 3,592, of which number 12 have made the supreme sacrifice.

Your Directors take this opportunity of expressing their appreciation of the loyal and efficient services rendered by the officers and employees throughout the year.

For the Directors,

V. M. DRURY,
President.

MONTREAL, December 29th, 1943.

